

Mental Health Services Act

General Stakeholders Meetings

**Financing: Focus on
Revenues**

November 14 & 17, 2006



*Mental Health Services
Act: Financing
Focus on Revenues*

**DMH Stakeholder Meetings
11/14/06 and 11/17/06**

Revenues

- Source
 - 1% increase in personal income tax in excess of \$1 million

Timing of Revenues – 2005 Example

- Cash Transfers – Throughout the year
 - Withholdings on salaries, estimated tax payments
 - 1.76% deposited into Mental Health Services Fund, effective 7/1/05
 - All estimated amounts
- Interest – deposits made quarterly
- Tax Returns to determine final amounts
 - Final payments due April 15, 2006
 - Final tax returns due October 15, 2006
 - Final Mental Health Services Fund amount determined March 1, 2007
 - Adjustments made July, 2007
 - Additional payment on 7/1/07 or
 - Discontinue deposits until overpayments reduced beginning 7/1/07
 - Called accrued revenue from prior years

Revenue Projection

- Provided twice annually
 - January Governor's budget and May revision
- Cash Transfers
- Accrued Revenue from Prior Years
- Interest Income
- Estimated Available Revenue
 - Shown by component

CSS Example

In Millions

	FY 05/06	FY 06/07	FY 07/08
Planning Estimate	\$317.3	\$320.4	\$339.3
Cash Transfers	\$465.0	\$478.6	\$383.0
Accrued Rev			\$154.1
Interest	\$6.4	\$7.4	\$15.7
Revised Total	\$471.4	\$486.0	\$552.8

Process for Access to Funds

- \$ placed at state level in county sub-accounts as received
- Planning estimates provide maximum county can apply for
- Contract provides approved amounts

When will expansion occur?

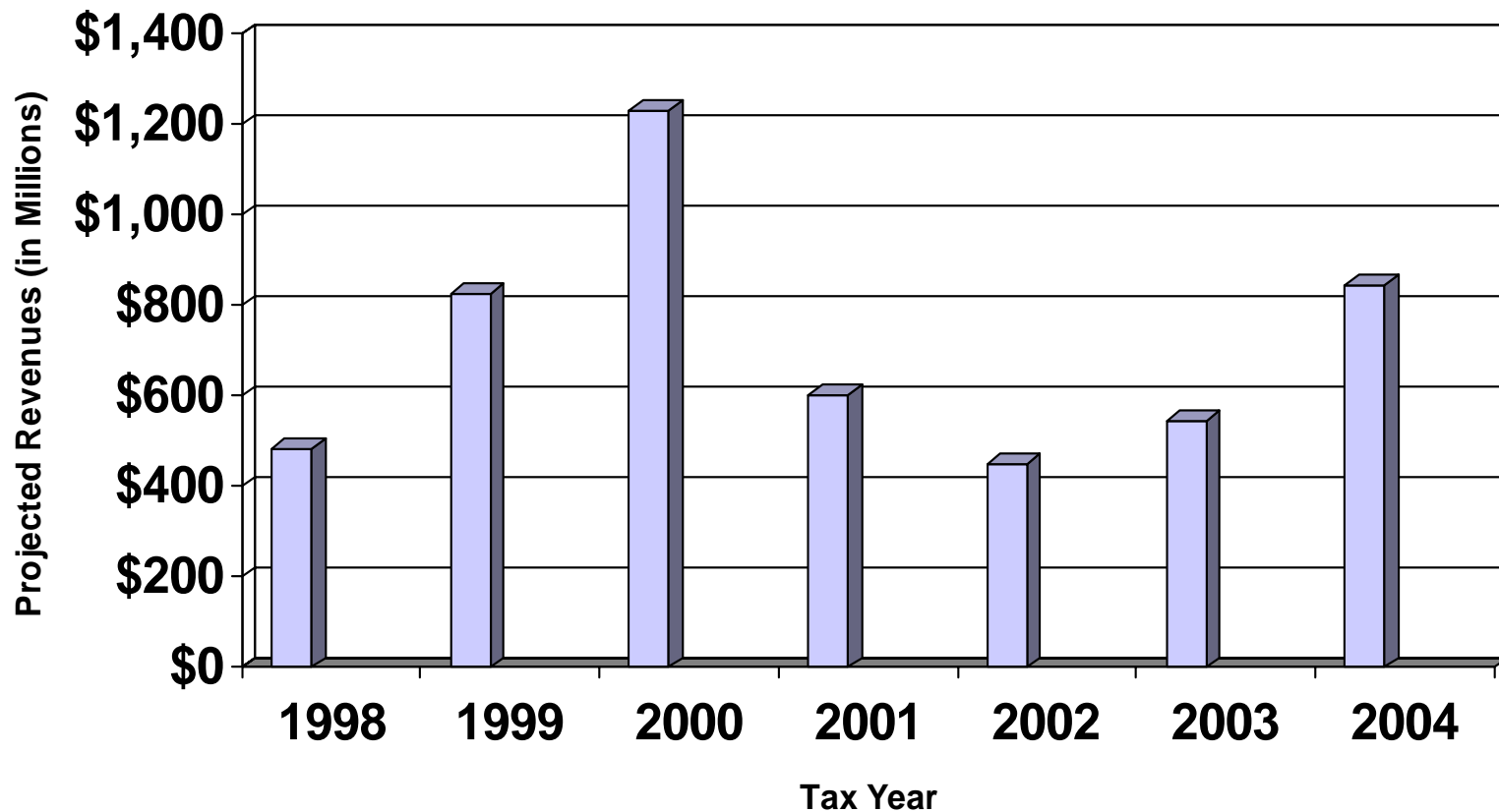
- Principles
 - Planning estimates based on actual cash not estimates
 - Consider sustainability when establishing planning estimates
- Each July, review projection from prior May and establish a new planning estimate for following year.

Why a Prudent Reserve?

- Because of volatility of funding, the Act allowed funding to be set aside in good years to be used when revenue declines to maintain stability of programs and services
- For Community Services and Supports (CSS), target is 50% of annual funding
 - Use unexpected additional revenues to fully fund CSS prudent reserve by FY 08/09
 - Target is \$356M

Fund Source Volatility

(projected revenues in millions for prior years)



Use of Prudent Reserve

- For use in economic downturns (i.e., reductions in revenues) to maintain consistent service levels
- Prudent reserve—maintained at state level in county sub-accounts
- Note: counties may also establish an operating reserve locally of 10% for unexpected expenses

Expansion of Services

- Unexpected additional revenue will also be used to fund expansion of CSS services
- Principles for expansion
 - Use actual cash deposited in the Fund not estimated funding
 - Provide for prudent reserve, if needed
 - Develop revised local planning estimates one year in advance
 - FY 07/08 expected increase in local funding for CSS is approximately \$100M

FY 06/07 and FY 07/08 Expansion of Services

- DRAFT Process – counties may request
 - Expansion of existing, approved programs
 - No new program description
 - Budget based on approved cost per client
 - Ensure capacity
 - Add new programs
 - Must have been through stakeholder process
 - Meet same CSS narrative and budget requirements
 - 30 day period for stakeholder review required

Cash Balance Report

- Twice a year, counties will report cash availability
 - Local cash reserves can total
 - 10% operating reserve
 - One quarter's operating costs
 - One-time project funding
 - If additional is cash available, county quarterly distributions will be reduced.

Future Development

- Allowable expenditures for balance of components
 - For example, are rent subsidies a cost under CSS or Capital Facilities?
- Interpretation of requirement that 20% limit for Capital, Technology, Education and Training and Prudent Reserve beginning in FY 08/09
- Prudent reserve level for other components
- Format for public reporting of expenditures
- Planning estimates for balance of components

MHSA – How to Contact

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